

**REPORT OF THE AUDIT OF THE
SHELBY COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SHELBY COUNTY FISCAL COURT

June 30, 2009

The Auditor of Public Accounts has completed the audit of the Shelby County Fiscal Court for fiscal year ended June 30, 2009.

We have issued unqualified opinions, based on our audit on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Shelby County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Shelby County's major federal programs: Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036) and Help America Vote Act (CFDA#90.401).

The financial statements of Shelby County 109 Taxing District, a discretely presented component unit, were audited by other auditors and have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Shelby County, Kentucky uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit.

Financial Condition:

The fiscal court had net assets of \$18,277,578 as of June 30, 2009. The fiscal court had unrestricted net assets of \$4,962,150 in its governmental activities as of June 30, 2009, with total net assets of \$18,089,387. In its business-type activities, total net cash and cash equivalents were \$ 183,493 with total net assets of \$188,191. The fiscal court's discretely presented component units had net assets of \$ 2,257,603 as of June 30, 2009. The discretely presented component units had net cash and cash equivalents of \$1,122,267. The fiscal court had total debt principal as of June 30, 2009 of \$31,144,000 with \$558,000 due within the next year.

Report Comments:

- 2009-1 Fiscal Court Lacks Internal Controls Over Ambulance Receipts
- 2009-2 The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules
- 2009-3 Federal Reimbursement Requests Should Agree To Supporting Documentation

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Rob Rothenburger, Shelby County Judge/Executive
Members of the Shelby County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Shelby County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Shelby County 109 Taxing District, a discretely presented component unit, which represents 100 percent of the assets and revenues of the discretely presented component opinion unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Shelby County 109 Taxing District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

As described in Note 1, Shelby County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Shelby County 109 Taxing District, a discretely presented component unit of the Shelby County Fiscal Court, are presented in accordance with the accrual basis of accounting and therefore, include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are not reasonably determinable.



To the People of Kentucky

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In our opinion, based upon our report and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Shelby County 109 Taxing District's financial statements been prepared using the same basis of accounting as Shelby County, Kentucky, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Shelby County, Kentucky, as of June 30, 2009, and the changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, Kentucky as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 6, 2010, on our consideration of Shelby County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- 2009-1 Fiscal Court Lacks Internal Controls Over Ambulance Receipts
- 2009-2 The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules
- 2009-3 Federal Reimbursement Requests Should Agree To Supporting Documentation

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

April 6, 2010

SHELBY COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Rob Rothenburger	County Judge/Executive
Tony Carriss	Magistrate
Mike Whitehouse	Magistrate
Cordy Armstrong	Magistrate
Michael Riggs	Magistrate
Betty Curtsinger	Magistrate
Hubert Pollett	Magistrate
Allen Ruble	Magistrate

Other Elected Officials:

Hart Megibben	County Attorney
Bobby Waits	Jailer
Sue Carole Perry	County Clerk
Kathy Nichols	Circuit Court Clerk
Mike Armstrong	Sheriff
Brad McDowell	Property Valuation Administrator
Ronald Walldridge, Jr.	Coroner

Appointed Personnel:

Paula Webb	County Treasurer
James Ray Wiley	Occupational Tax Collector
Karen Blake	Finance Officer
Jenny King	Payroll Clerk

ROB ROTHENBURGER

Shelby County Judge Executive

419 Washington Street

Shelbyville, KY 40065

(502) 633-1220 – Fax (502) 633-7623 – TDD 1-800-247-2510

Management Discussion and Analysis

As financial management of the Shelby County Fiscal Court, we offer readers of these government-wide financial statements this narrative overview and analysis of the financial activities of the Fiscal Court for the fiscal year ended June 30, 2009. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant financial issues and activities and to identify any significant changes in our financial position. We encourage readers to consider the information presented here in conjunction with the government-wide financial statements as a whole.

Overview of the Government-wide Financial Statements

The County's basic financial statements, which consists of two government-wide and various fund financial statements, are designed to provide readers with a broad overview of the Fiscal Courts finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information government-wide on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fiscal Court is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, result in increased net assets, which indicate an improved financial position.

The Statement of Activities presents information showing how a government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows.

The fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances. The fund financial statements focus on how money flows into and out of the funds. The funds balance at year-end shows what is available for spending in future periods. The reconciliation at the bottom of these statements shows how the government-wide statements, the statement of net assets, and the statement of activities differ from one another.

The notes to the financial statement provide additional information that is essential to a full understanding of the data provided in the basic government-wide financial statements.

Shelby County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Financial Highlights

The Statement of Net Assets shows the Fiscal Court has \$22,274,671 in current assets and \$27,146,907 in non-current assets. Current assets consist of cash and cash equivalents. Non-current assets consist of capital assets (land, land improvements, vehicles, buildings and equipment, infrastructure, etc.) net of depreciation; the liabilities of the Fiscal Court are current liabilities due within one year of \$558,000, and non-current liabilities due in more than one year of \$30,586,000. Net assets are \$18,277,578. From year to year, changes in net assets are an indicator of the Fiscal Court's financial position.

The Statement of Activities shows government-wide general revenues for the Shelby County Fiscal Court were \$9,794,071 for fiscal year 2009. The majority of revenues were property tax assessments and occupational taxes.

The fund financial statements show the inflow and outflow of cash receipts and cash expenditures. The change in fund balance of \$14,462,802 shows that the Fiscal Court used all of its available current year revenues. Total revenues were \$16,456,576; operating expense and capital outlay were \$19,091,584. Expenditures exceeded revenues by \$2,635,008. Therefore, the Fiscal Court had a decrease in its fund balance.

Comparative Financial Statements

	Shelby County Net Assets	
	2008	2009
Assets		
Current Assets	\$7,979,131	\$22,274,671
Capital Assets	<u>26,798,385</u>	<u>27,146,907</u>
Total Assets	\$34,777,516	\$49,421,578
Liabilities		
Current Liabilities	5,052,000	558,000
Noncurrent Liabilities	<u>9,426,000</u>	<u>30,586,000</u>
Total Liabilities	\$14,478,000	\$31,144,000
Net Assets		
Invested in capital assets, Net of related debt	12,320,385	(4,108,093)
Restricted	2,489,185	17,266,003
Unrestricted	<u>5,489,946</u>	<u>5,119,668</u>
Total Net Assets	\$20,299,516	\$18,277,578

Shelby County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Comparative Financial Statements (Continued)

	Shelby County Statement of Activities	
	2008	2009
Program Revenues:		
Charges for Services	\$3,448,517	\$3,734,654
Operating Grants & Contributions	2,048,395	1,962,623
Capital Grants & Contributions	<u>1,689,315</u>	<u>965,553</u>
Total Program Revenues	7,186,227	6,662,830
General Revenues		
Taxes	6,617,488	6,338,931
Excess Fees	768,890	649,816
Miscellaneous Revenues	1,497,342	2,673,328
License & Permits	623,609	-0-
Accrued Interest Received	368,780	131,996
Total General Revenues	<u>9,876,109</u>	<u>9,794,071</u>
Total Revenues	\$17,062,336	\$16,456,901
Program Expenses		
General Government	6,132,979	7,390,465
Protection to Persons and Property	6,350,263	4,673,297
General Health and Sanitation	610,519	491,864
Social Services	266,497	294,410
Recreation and Culture	1,239,524	742,932
Roads	2,775,618	1,690,115
Debt Services	311,429	1,500,736
Capital Projects	455,592	190,000
Jail Canteen	<u>133,868</u>	<u>147,443</u>
Total Expenses	18,276,289	17,121,262
Change in Net Assets	(1,048,589)	(485,689)
Net Assets-Beginning	21,348,105	18,763,267
Net Assets-Ending	\$20,299,516	\$18,277,578

Financial Analysis of the County's Funds

As noted earlier, Shelby County uses Fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Shelby County Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Shelby County
Management's Discussion and Analysis
June 30, 2009
(Continued)**

Financial Analysis of the County's Funds (Continued)

The County has five major governmental funds. These are 1) General Fund, 2) Road Fund, 3) Jail Fund, 4) EMS Fund, 5) Justice Center Public Properties Fund, there are three non-major funds, and they are A) L.G.E.A fund and B) KaColt Fund, C) Special Fund.

1. The General Fund is the chief operating fund of Shelby County. The Fiscal year began with a Fund balance of \$2,554,858. During the fiscal year, the General Fund had \$10,723,979 in revenues, had a net transfers of \$1,943,272 and \$8,692,827 in expenditures with an ending balance as of June 30, 2009 of \$2,642,738.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The fiscal year began with a fund balance of \$1,317,216. During the fiscal year, the Road Fund had \$1,575,649 in revenues, \$2,204,029 in expenditures and \$518,000 in transfers with an ending balance of \$1,206,836.
3. The Jail Fund is used to account for the operation of the County's Detention Program. The beginning balance was \$373,140. During the fiscal year, the Jail Fund had \$2,222,440 in revenues, \$3,214,247 in expenditures, and \$895,500 in transfers with an ending balance of \$276,833.
4. The EMS Fund is used to fund the operations of the Ambulance Service to meet the needs of the sick and injured throughout the county. The beginning balance was \$300,493. During the fiscal year, the EMS Fund showed \$1,681,764 in revenues and \$2,459,297 in expenditures and \$534,800 in transfers with an ending balance of \$57,760.
5. The Justice Center Public Properties Fund is used to account for the debt related to the construction of the new Justice Center. The beginning balance was \$2,484,117. During the fiscal year, the Justice Center Public Properties fund showed \$73,029 in revenues and \$2,414,974 in expenditures with an ending balance of \$17,239,982.

Non major funds overview:
(L.G.E.A., Special and KaColt Funds)

The beginning balance (July 1, 2008) was \$590,552, the ending balance (June 30, 2009) showed \$179,715 in revenues and \$106,210 in expenditures with an ending balance of \$659,029, with a net transfer out of \$5,028.

Proprietary Funds Overview. The County's Proprietary Fund statement provides the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

The canteen jail fund had net assets of \$188,191 as of June 30, 2006 and a cash balance of \$183,493 as of June 30, 2009.

General Fund Budgetary Highlights.

The County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$167,422.

Actual revenues were \$2,537,398 more than budgeted by the Fiscal Court. Expenditures were \$762,533 less than budgeted.

**Shelby County
Management's Discussion and Analysis
June 30, 2009
(Continued)**

Capital Assets and Debt Administration

Capital Assets: Shelby County's investment in capital assets for its governmental and business type activities as of June 30, 2009, amount to \$27,035,907. This investment in capital assets includes vehicles, road equipment, new county buildings and road projects.

Major capital asset events during the 2008-09 fiscal year included Hi point, Courthouse, and Waddy sidewalk projects, security surveillance system at the Skate Park, voting machines and Animal Control vehicle replacement. The county did renovation to the Sheriff's office in the Courthouse. There were various roadway resurfacing projects such as; Van Dyke Road, Gordon Lane, Bardstown Trail, and Ditto Road that were done during the 08-09 fiscal year. The Road Department also replaced a box culvert on Christiansburg Road. The Road Department was responsible for the Ice Storm brush clean up and grinding. A vehicle maintenance lift was also purchased at the Road Department to aid in repairs of county vehicles. EMS made a computer upgrade with the purchase of new software to aid in collections. The roof at EMS Station# 2 was replaced.

Additional information on the County's capital assets can be found in Note 3 of this report.

Long-term debt. At the end of the 2008-09 fiscal year, Shelby County had total long term debt outstanding of \$31,144,000. The amount of this debt due within the next year is \$558,000. This debt is for the Family Activity Center, Meadowbrook sewer project, Detention Center Expansion and KaColt Loans. Also included in this debt is the Bonding Debt for the Public Properties Corporation (New Judicial Center), consisting of the Shelby County Fiscal Court members, in the amount of \$22,035,000.

Additional information on the County's long-term debt can be found in Note 4 of this report.

Other matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2009-10 fiscal year budgets:

The 2009-10 fiscal years Adopted Budget continues most services at current levels.

Programs cuts at the State and Federal level, particularly relating to the cost of housing prisoners, may have a negative impact on funding of county operations impacted by State revenue shortfalls. Also with local businesses closing and laying off employees there is a direct negative impact on the Occupational License Fee collections.

Request for Information:

This financial report is designed to provide a general overview of Shelby County's government-wide finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to:

Paula Webb, Shelby Co. Fiscal Court Treasurer
419 Washington Street
Shelbyville, Ky. 40065
502-633-1220

SHELBY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

SHELBY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 22,083,178	\$ 183,493	\$ 22,266,671	\$ 1,122,267
Investments				818,179
Note Receivable	8,000		8,000	
Total Current Assets	22,091,178	183,493	22,274,671	1,940,446
Noncurrent Assets:				
Notes Receivable	111,000		111,000	
Capital Assets - Net of Accumulated Depreciation				
Construction In Progress	2,522,385		2,522,385	
Land and Land Improvements	2,106,070		2,106,070	35,559
Buildings	16,634,199		16,634,199	299,246
Equipment	793,875	4,698	798,573	53,055
Vehicles	1,085,553		1,085,553	49,586
Infrastructure Assets - Net of Depreciation	3,889,127		3,889,127	
Total Noncurrent Assets	27,142,209	4,698	27,146,907	437,446
Total Assets	49,233,387	188,191	49,421,578	2,377,892
LIABILITIES				
Current Liabilities:				
Accounts Payable				120,289
General Obligation Bonds	250,000		250,000	
Financing Obligations	308,000		308,000	
Total Current Liabilities	558,000		558,000	120,289
Noncurrent Liabilities:				
General Obligation Bonds	3,255,000		3,255,000	
Revenue Bonds	22,035,000		22,035,000	
Financing Obligations	5,296,000		5,296,000	
Total Noncurrent Liabilities	30,586,000		30,586,000	
Total Liabilities	31,144,000		31,144,000	120,289
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ (4,112,791)	\$ 4,698	\$ (4,108,093)	\$ 437,446
Restricted For:				
Inmate Accounts		25,975	25,975	
Capital Projects	17,240,028		17,240,028	
Unrestricted	4,962,150	157,518	5,119,668	1,820,157
Total Net Assets	\$ 18,089,387	\$ 188,191	\$ 18,277,578	\$ 2,257,603

The accompanying notes are an integral part of the financial statements.

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SHELBY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

SHELBY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 7,390,465	\$ 222,219	\$ 258,553	\$
Protection to Persons and Property	4,674,212	3,488,065	336,554	696,955
General Health and Sanitation	491,864	24,370		
Social Services	294,410			
Recreation and Culture	742,932			16,250
Roads	1,689,200		1,367,516	252,348
Debt Service	1,500,736			
Capital Projects	190,000			
Total Governmental Activities	16,973,819	3,734,654	1,962,623	965,553
Business-type Activities:				
Jail Canteen	147,443	178,672		
Total Business-type Activities	147,443	178,672		
Total Primary Government	\$ 17,121,262	\$ 3,913,326	\$ 1,962,623	\$ 965,553
Component Units:				
Shelby County 109 Taxing District	\$ 870,210	\$ 883,032	\$ 33,363	\$ 0

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Unrestricted Investment Earnings

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

SHELBY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Units
\$ (6,909,693)	\$	\$ (6,909,693)	\$
(152,638)		(152,638)	
(467,494)		(467,494)	
(294,410)		(294,410)	
(726,682)		(726,682)	
(69,336)		(69,336)	
(1,500,736)		(1,500,736)	
(190,000)		(190,000)	
█ (10,310,989)		(10,310,989)	
	31,229	31,229	
	31,229	31,229	
(10,310,989)	31,229	(10,279,760)	
			46,185
2,823,106		2,823,106	
7,969		7,969	
379,226		379,226	
2,834,310		2,834,310	
294,320		294,320	
649,816		649,816	
2,673,328		2,673,328	
131,672	324	131,996	28,987
9,793,747	324	9,794,071	28,987
(517,242)	31,553	(485,689)	75,172
18,606,629	156,638	18,763,267	2,182,431
\$ 18,089,387	\$ 188,191	\$ 18,277,578	\$ 2,257,603

The accompanying notes are an integral part of the financial statements.

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SHELBY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

SHELBY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	EMS Fund	Justice Center Public Properties Fund
ASSETS					
Cash and Cash Equivalents	\$ 2,642,738	\$ 1,206,836	\$ 276,833	\$ 57,760	\$ 17,239,982
Total Assets	<u>2,642,738</u>	<u>1,206,836</u>	<u>276,833</u>	<u>57,760</u>	<u>17,239,982</u>
FUND BALANCES					
Reserved:					
Encumbrances	85,815	26,082	20,734	8,216	
Unreserved:					
General Fund	2,556,923				
Special Revenue Funds		1,180,754	256,099	49,544	
Capital Projects Fund					17,239,982
Total Fund Balances	<u>\$ 2,642,738</u>	<u>\$ 1,206,836</u>	<u>\$ 276,833</u>	<u>\$ 57,760</u>	<u>\$ 17,239,982</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 22,083,178
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Notes Receivable Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds	119,000
Capital Assets Used in Governmental Activities Are Not Financial Resources	39,387,538
And Therefore Are Not Reported in the Funds	(12,356,329)
Accumulated Depreciation	
Long-term Debt is Not Due and Payable in the Current Period and, Therefore, is Not	
Reported in the Funds	
Financing Obligations	(5,604,000)
Bonded Debt	<u>(25,540,000)</u>
Net Assets Of Governmental Activities	<u>\$ 18,089,387</u>

The accompanying notes are an integral part of the financial statements.

SHELBY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Non- Major Funds	Total Governmental Funds
<u>\$ 659,029</u>	<u>\$ 22,083,178</u>
<u>659,029</u>	<u>22,083,178</u>
	140,847
	2,556,923
658,983	2,145,380
<u>46</u>	<u>17,240,028</u>
<u>\$ 659,029</u>	<u>\$ 22,083,178</u>

The accompanying notes are an integral part of the financial statements.

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SHELBY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

SHELBY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>EMS Fund</u>
REVENUES				
Taxes	\$ 6,494,815	\$	\$	\$
Excess Fees	649,816			
Licenses and Permits	98,442			
Intergovernmental	1,121,371	1,540,151	1,980,292	10,169
Charges for Services	24,370		114,727	1,643,834
Miscellaneous	2,283,609	25,230	124,723	27,063
Interest	51,556	10,268	2,698	698
Total Revenues	<u>10,723,979</u>	<u>1,575,649</u>	<u>2,222,440</u>	<u>1,681,764</u>
EXPENDITURES				
General Government	2,993,583			
Protection to Persons and Property	743,424	915	2,213,744	1,648,359
General Health and Sanitation	496,383			
Social Services	289,757			
Recreation and Culture	667,700			
Roads		1,733,802		
Debt Service	933,482		250,000	
Capital Projects		183,175		
Administration	2,568,498	286,137	750,503	810,938
Total Expenditures	<u>8,692,827</u>	<u>2,204,029</u>	<u>3,214,247</u>	<u>2,459,297</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,031,152</u>	<u>(628,380)</u>	<u>(991,807)</u>	<u>(777,533)</u>
Other Financing Sources (Uses)				
Bond Issuance				
Discount On Bond Issuance				
Payment of Bond Anticipation Note				
Transfers From Other Funds	5,029	518,000	895,500	534,800
Transfers To Other Funds	(1,948,301)			
Total Other Financing Sources (Uses)	<u>(1,943,272)</u>	<u>518,000</u>	<u>895,500</u>	<u>534,800</u>
Net Change in Fund Balances	87,880	(110,380)	(96,307)	(242,733)
Fund Balances - Beginning (Restated)	2,554,858	1,317,216	373,140	300,493
Fund Balances - Ending	<u>\$ 2,642,738</u>	<u>\$ 1,206,836</u>	<u>\$ 276,833</u>	<u>\$ 57,760</u>

The accompanying notes are an integral part of the financial statements.

SHELBY COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Justice Center Public Properties Fund	Non- Major Funds	Total Governmental Funds
\$		\$ 6,494,815
		649,816
		98,442
	177,750	4,829,733
		1,782,931
8,543		2,469,168
64,486	1,965	131,671
<u>73,029</u>	<u>179,715</u>	<u>16,456,576</u>
		2,993,583
		4,606,442
		496,383
		289,757
		667,700
	8,172	1,741,974
562,028	98,036	1,843,546
1,848,335		2,031,510
4,611	2	4,420,689
<u>2,414,974</u>	<u>106,210</u>	<u>19,091,584</u>
<u>(2,341,945)</u>	<u>73,505</u>	<u>(2,635,008)</u>
22,035,000		22,035,000
(437,190)		(437,190)
(4,500,000)		(4,500,000)
		1,953,329
	(5,028)	(1,953,329)
<u>17,097,810</u>	<u>(5,028)</u>	<u>17,097,810</u>
14,755,865	68,477	14,462,802
2,484,117	590,552	7,620,376
<u>\$ 17,239,982</u>	<u>\$ 659,029</u>	<u>\$ 22,083,178</u>

The accompanying notes are an integral part of the financial statements.

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**SHELBY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

**SHELBY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 14,462,802

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay 2,941,619

Depreciation Expense (1,060,389)

Assets Disposed of, Net Book Value (106,274)

Payment on Receivable Provides for Current Financial Resources to Governmental Funds, while at the Government-wide Level, a Reduction of the Receivable Occurs. These Transactions Have No Effect on Net Assets. (89,000)

The Issuance of Long-Term Debt (e.g. bonds, financing obligations) Provides Current Financial Resources to Governmental Funds, while Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, however, Have No Effect on Net Assets.

Financing Obligation Proceeds (22,035,000)

Financing and Bond Principal Payments are Expensed in the Governmental Funds as a Use of Current Financial Resources

Payment on Bond Anticipation Note 4,500,000

Financing Obligations Principal Payments 629,000

Bond Principal Payments 240,000

Change in Net Assets of Governmental Activities \$ (517,242)

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SHELBY COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

SHELBY COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 183,493
Total Current Assets	<u>183,493</u>
Noncurrent Assets:	
Capital Assets:	
Equipment	9,035
Less Accumulated Depreciation	<u>(4,337)</u>
Total Noncurrent Assets	<u>4,698</u>
Total Assets	<u>188,191</u>
Net Assets	
Restricted for Inmate Accounts	25,975
Invested in Capital Assets, Net of Related Debt	4,698
Unrestricted	<u>157,518</u>
Total Net Assets	<u>\$ 188,191</u>

The accompanying notes are an integral part of the financial statements.

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SHELBY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

SHELBY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 164,525
Total Operating Revenues	<u>164,525</u>
Operating Expenses	
Purchases	145,297
Educational and Recreational	1,423
Depreciation	<u>723</u>
Total Operating Expenses	<u>147,443</u>
Operating Income (Loss)	<u>17,082</u>
Nonoperating Revenues (Expenses)	
Interest Income	324
Income Pay From State	16,560
Inmate Account	404,503
Inmate Refunds	(119,519)
Inmate Fees	(122,873)
Inmate Purchases	<u>(164,525)</u>
Total Nonoperating Revenues (Expenses)	<u>14,470</u>
Change In Net Assets	31,552
Total Net Assets - Beginning	<u>156,639</u>
Total Net Assets - Ending	<u><u>\$ 188,191</u></u>

The accompanying notes are an integral part of the financial statements.

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SHELBY COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

SHELBY COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Payments Received From Customers	\$ 164,525
Cash Payments Made To Vendors For Goods And Services	(146,720)
Net Cash Provided By Operating Activities	17,805
Cash Flows From Noncapital Activities	
Inmate Deposits	421,064
Inmate Purchases	(164,525)
Inmate Fees	(122,873)
Inmate Withdraws	(119,519)
Net Increase (Decrease) in Cash and Cash Equivalents	14,147
Cash Flows From Investing Activities	
Interest Earned	324
Net Cash Provided By Investing Activities	324
Net Increase (Decrease) in Cash and Cash Equivalents	32,276
Cash and Cash Equivalents - July 1, 2008	151,217
Cash and Cash Equivalents - June 30, 2009	\$ 183,493

The accompanying notes are an integral part of the financial statements.

SHELBY COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

	Business-Type Activities - Enterprise Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income (Loss)	\$ 17,082
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>723</u>
Net Cash Provided By Operating Activities	<u><u>\$ 17,805</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, financial statements of the 109 Board, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Shelby County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Unit

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Shelby County Public Properties Corporation

The Shelby County Fiscal Court (Fiscal Court) established the Shelby County Public Properties Corporation (Corporation) for the purpose of financing the construction of a justice center. The Corporation's governing body consists entirely of the Fiscal Court members. Therefore, management must include the Corporation as part of the reporting entity, and the Corporation's financial activity is blended with that of the Fiscal Court.

Discretely Presented Component Unit

The component units' columns in the combined financial statements include the data of the following organizations. They are reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

Shelby County 109 Taxing District

The Shelby County 109 Taxing District (District) was established on April 14, 1970 by the orders of the Shelby County Fiscal Court. The District was organized for the establishment as a refuse disposal district for Shelby County. Financial information for the District is presented discretely within Shelby County's financial statements.

Audited financial statements for the Shelby County 109 Taxing District, a discretely presented component unit, may be requested by contacting the Shelby County 109 Taxing District, 419 Washington Street, Shelbyville, Kentucky 40065.

C. Shelby County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Shelby County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Shelby County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

EMS Fund - This fund is used to account for the county emergency medical service activities. Revenues are received from patients and transfers from the General Fund.

Justice Center Public Properties Fund - The purpose of this fund is to account for the funds used to construct the Justice Center. After the project is completed, the fund will account for the debt service requirements of the bonds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Special Fund, and KACOLT Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, EMS Fund, and Special Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The KACOLT Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Capital Projects Fund:

The Justice Center Public Properties Fund is presented as a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Presentation of Component Unit

The Shelby County 109 Taxing District's financial statement, a discretely presented component unit, has been prepared on the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Detailed presentations of the financial statements for the Shelby County 109 Taxing District, a major discretely presented component unit of Shelby County Fiscal Court, are available from the separately issued financial statements of the Shelby County 109 Taxing District.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land	\$ 1	N/A
Land Improvements	\$ 25,000	10-60
Buildings	\$ 50,000	10-75
Building Improvements	\$ 50,000	10-40
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5
Infrastructure	\$ 30,000	10-50
Intangibles	\$ 5,000	2-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund or the Justice Center Public Properties Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

J. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Shelby County Fiscal Court: U.S. 60 Water District and West Shelby Water District.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2009, the primary government and component units' deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the primary government or component units as beneficiary/obligee on the bond.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposit may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 2,082,825	\$ 23,245	\$	\$ 2,106,070
Construction In Progress	704,120	1,818,265		2,522,385
Total Capital Assets Not Being Depreciated	2,786,945	1,841,510		4,628,455
Capital Assets, Being Depreciated:				
Buildings	18,669,625			18,669,625
Equipment	1,276,827	356,291	(169,835)	1,463,283
Vehicles	3,234,107	167,684	(21,865)	3,379,926
Infrastructure	10,670,115	576,134		11,246,249
Total Capital Assets Being Depreciated	33,850,674	1,100,109	(191,700)	34,759,083
Less Accumulated Depreciation For:				
Buildings	(1,826,735)	(208,691)		(2,035,426)
Equipment	(606,039)	(131,303)	67,934	(669,408)
Vehicles	(2,088,024)	(223,841)	17,492	(2,294,373)
Infrastructure	(6,860,568)	(496,554)		(7,357,122)
Total Accumulated Depreciation	(11,381,366)	(1,060,389)	85,426	(12,356,329)
Total Capital Assets, Being Depreciated, Net	22,469,308	39,720	(106,274)	22,402,754
Governmental Activities Capital Assets, Net	<u>\$ 25,256,253</u>	<u>\$ 1,881,230</u>	<u>\$ (106,274)</u>	<u>\$ 27,031,209</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Equipment	\$ 9,035	\$	\$	\$ 9,035
Total Capital Assets Being Depreciated	9,035			9,035
Less Accumulated Depreciation For:				
Equipment	(3,614)	(723)		(4,337)
Total Accumulated Depreciation	(3,614)	(723)		(4,337)
Total Capital Assets, Being Depreciated, Net	5,421	(723)		4,698
Business-Type Activities Capital Assets, Net	\$ 5,421	\$ (723)	\$ 0	\$ 4,698

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 40,186
Protection to Persons and Property	350,398
General Health and Sanitation	10,035
Recreation and Culture	75,232
Social Services	4,653
Roads, Including Depreciation of General Infrastructure Assets	<u>579,885</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,060,389</u>

Business-Type Activities

Jail Canteen	<u>\$ 723</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 723</u>

Capital asset activity for discretely presented component units for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 35,559	\$	\$	\$ 35,559
Total Capital Assets Not Being Depreciated	35,559			35,559
Capital Assets, Being Depreciated:				
Buildings	374,508	7,400		381,908
Equipment	93,546	15,301		108,847
Vehicles	242,403			242,403
Total Capital Assets Being Depreciated	710,457	22,701		733,158
Less Accumulated Depreciation For:				
Buildings	(70,203)	(12,459)		(82,662)
Equipment	(43,037)	(13,027)		(55,792)
Vehicles	(156,049)	(36,768)		(192,817)
Total Accumulated Depreciation	(269,289)	(62,254)		(331,271)
Total Capital Assets, Being Depreciated, Net	441,168	(39,553)		401,887
Capital Assets, Net	\$ 476,727	\$ (39,553)	\$ 0	\$ 437,446

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the discretely presented major component units as follows:

Shelby County 109 Taxing District	<u>\$ 62,254</u>
Total Depreciation Expense - Component Unit	<u><u>\$ 62,254</u></u>

Note 4. Long-term Debt

A. Financing Obligations - KACOLT Fund

1) US 60 Water District (Rockbridge)

On November 1, 1993, Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$237,000. The purpose of the lease was for waterline extension. The project was subleased to the US 60 Water District. The US 60 Water Districts gives the County enough money to cover the annual debt service payments required. The County then pays this money to the trustee. US 60 Water District through fiscal court paid off the financing obligation during fiscal 2009. The balance of the receivable and the liability on June 30, 2009, was \$0.

2) US 60 Water District (Woodlawn)

On August 7, 1996, Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$80,000. The purpose of the lease was for construction of rural water lines. The project was subleased to the US 60 Water District. The US 60 Water Districts gives the County enough money to cover the annual debt service payments required. The County then pays this money to the trustee. The balance of the receivable and the liability on June 30, 2009, was \$40,000.

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 5,000	\$ 2,468
2011	5,000	2,142
2012	5,000	1,817
2013	6,000	1,464
2014	6,000	1,074
2015-2016	<u>13,000</u>	<u>949</u>
Totals	<u><u>\$ 40,000</u></u>	<u><u>\$ 9,914</u></u>

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

A. Financing Obligations - KACOLT Fund

3) Mt. Eden Fire District

On September 11, 2000, Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$98,000. The purpose of the lease was for the construction of a firehouse. The project was subleased to the Mt. Eden Fire District. The Mt. Eden Fire District gives the County enough money to cover the annual debt service payments required. The County then pays this money to the trustee. The balance of the receivable and the liability on June 30, 2009, was \$79,000.

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 3,000	\$ 4,702
2011	3,000	4,518
2012	3,000	4,332
2013	3,000	4,148
2014	4,000	3,905
2015-2019	22,000	15,654
2020-2024	28,000	7,791
2025-2026	13,000	499
Totals	<u>\$ 79,000</u>	<u>\$ 45,549</u>

B. Financing Obligation - General Fund

On June 21, 2001 the County entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust for the construction of sewer lines. The lease term for this agreement is 10 years with the balance to be paid in full January 20, 2011. The total balance of the agreement is \$145,000 as of June 30, 2008. The following is a schedule of future minimum lease payments as of June 30, 2009:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 70,000	\$ 5,817
2011	75,000	2,197
Totals	<u>\$ 145,000</u>	<u>\$ 8,014</u>

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

C. Financing Obligations - Jail Fund

On March 9, 2006, the County entered into a short-term lease in the amount of \$499,999 with Kentucky Association Of Counties Leasing Trust (KACOLT) to fund preliminary work on their detention center expansion. On May 25, 2006 the County entered into a lease-purchase agreement with KACOLT for the construction of the detention center expansion. The short-term lease of \$499,999 was paid off on July 27, 2006 with proceeds from this capital lease. The lease term for this agreement is 14 years with the balance to be paid in full January 20, 2019. The total balance of the agreement is \$5,340,000 as of June 30, 2009. The following is a schedule of future minimum lease payments as of June 30, 2009:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 230,000	\$ 208,040
2011	245,000	198,280
2012	255,000	188,916
2013	270,000	178,476
2014	285,000	137,538
2015-2019	4,055,000	621,782
Totals	<u>\$ 5,340,000</u>	<u>\$ 1,533,032</u>

D. General Obligation Bonds, Series 1999

Shelby County Fiscal Court (County) issued general obligation bonds of \$5,200,000, series 1999, dated April 1, 1999, to fund the acquisition and construction of the Clear Creek Family Activities Center. These bonds were issued at varying interest rates ranging from 3.40% to 4.85%, and will be retired by August 1, 2020. Interest payments are due on February 1 and interest and principal August 1. Fiscal Court has entered into a lease agreement with the City of Shelbyville (City) and the Shelbyville/Shelby County Parks and Recreation Commissions (Parks Commission) for their portion of the bond issue. The City is responsible for \$500,000 in principal and interest payments; the Parks Commission \$2,200,000 in principal and interest payments and the County \$2,500,000 in principal and interest. The City and the Parks Commission make their payments to the County, which in turn pays the paying agent. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

D. General Obligation Bonds, Series 1999 (Continued)

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 250,000	\$ 157,597
2011	260,000	146,567
2012	265,000	135,082
2013	285,000	122,840
2014	295,000	109,716
2015-2019	1,725,000	319,335
2020-2021	425,000	20,734
Totals	<u>\$ 3,505,000</u>	<u>\$ 1,011,871</u>

E. Revenue Bonds

1) Series 2006 Bond Anticipation Note

On December 12, 2006, the Shelby County Public Corporation issued \$4,500,000 of First Mortgage Refunding Revenue Bond Anticipation Notes, Series 2006 for the purpose of funding the construction of the Justice Center. The Public Properties Corporation entered into an agreement with the Administrative Offices of the Courts (AOC) for the payments to be made by AOC while being tenants of the building. As of June 30, 2008, the principal balance remaining was \$4,500,000. The Bond Anticipation Note was paid off as scheduled in fiscal year 2009.

2) Series 2008

On November 1, 2008, the Shelby County Public Corporation issued \$9,750,000 of First Mortgage Revenue Bonds, Series 2008, for the purpose of funding the construction of a Justice Center. The Public Properties Corporation entered into an agreement with the Administrative Offices of the Courts (AOC) for the payments to be made by AOC while being tenants of the building. These bonds were issued at varying interest rates ranging from 3.50% to 4.25%, and will be retired by November 1, 2029. Interest payments are due on May 1 and interest and principal November 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

E. Revenue Bonds (Continued)

2) Series 2008 (Continued)

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest and Fees
2010	\$	\$ 393,100
2011	330,000	387,325
2012	340,000	375,600
2013	350,000	363,525
2014	365,000	351,012
2015-2019	2,025,000	1,546,378
2020-2024	2,480,000	1,098,381
2025-2029	3,055,000	516,706
2030	805,000	17,106
Totals	<u>\$ 9,750,000</u>	<u>\$ 5,049,133</u>

3) Series 2009

On March 1, 2009, the Shelby County Public Corporation issued \$12,285,000 of First Mortgage Revenue Bonds, Series 2009, for the purpose of funding the construction of a Justice Center. The Public Properties Corporation entered into an agreement with the Administrative Offices of the Courts (AOC) for the payments to be made by AOC while being tenants of the building. These bonds were issued at varying interest rates ranging from 2% to 4.4%, and will be retired by November 1, 2028. Interest payments are due on May 1 and interest and principal November 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2010	\$	\$ 442,876
2011	480,000	438,076
2012	490,000	428,376
2013	500,000	417,226
2014	515,000	403,251
2015-2019	2,820,000	1,766,894
2020-2024	3,355,000	1,234,076
2025-2029	4,125,000	465,600
Totals	<u>\$ 12,285,000</u>	<u>\$ 5,596,375</u>

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 3,745,000	\$	\$ 240,000	\$ 3,505,000	\$ 250,000
Revenue Bonds	4,500,000	22,035,000	4,500,000	22,035,000	
Financing Obligations	6,233,000		629,000	5,604,000	308,000
Governmental Activities					
Long-term Liabilities	<u>\$ 14,478,000</u>	<u>\$22,035,000</u>	<u>\$ 5,369,000</u>	<u>\$ 31,144,000</u>	<u>\$ 558,000</u>

Note 5. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$ 764,735 in interest on financing obligations and in interest on bonds and notes.

Note 6. Employee Retirement System

The fiscal court and the Shelby County 109 Board, a discretely presented component unit, has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Employee Retirement System (Continued)

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On February 24, 2000, the Shelby County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2009, Shelby County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. The estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2003. All infrastructure assets placed in service during the fiscal year ended June 30, 2004, and thereafter are recorded at actual historical cost.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 10. Prior Period Adjustments

Beginning net assets for Governmental Activities has been restated for capital assets left off in prior years; capital assets recorded twice, recorded donated assets, depreciation expense miscalculation in prior years, and for restatement of fund balances from prior year. Capital Assets were restated by (\$1,536,711) and fund balances were restated a net of \$462, for a net restatement of net assets of (\$1,536,249).

	June 30, 2008		Restated
	Ending Net Assets/		June 30, 2008
	Fund Balance	Restatement	Ending Balance
Governmental Activities	\$ 20,142,878	\$ (1,536,249)	\$ 18,606,629
General Fund	2,554,396	462	2,554,858

Note 11. Subsequent Events

On December 1, 2009 Shelby County Fiscal Court borrowed \$3,340,828 in financing obligations for the purpose of refinancing general obligation bonds (Note 4D).

SHELBY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

SHELBY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

GENERAL FUND					
Budgeted Amounts			Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)	
Original		Final			
REVENUES					
Taxes	\$ 4,905,000	\$ 4,729,441	\$ 6,494,815	\$ 1,765,374	
Excess Fees	567,899	567,899	649,816	81,917	
Licenses and Permits	136,700	136,700	98,442	(38,258)	
Intergovernmental Revenue	524,500	779,367	1,121,371	342,004	
Charges for Services	18,000	18,000	24,370	6,370	
Miscellaneous	1,742,060	1,830,174	2,283,609	453,435	
Interest	125,000	125,000	51,556	(73,444)	
Total Revenues	8,019,159	8,186,581	10,723,979	2,537,398	
EXPENDITURES					
General Government	2,993,437	3,194,550	2,993,583	200,967	
Protection to Persons and Property	707,989	767,991	743,424	24,567	
General Health and Sanitation	608,410	514,514	496,383	18,131	
Social Services	324,000	347,710	289,757	57,953	
Recreation and Culture	1,080,667	679,373	667,700	11,673	
Debt Service	526,135	934,146	933,482	664	
Administration	3,047,300	3,017,076	2,568,498	448,578	
Total Expenditures	9,287,938	9,455,360	8,692,827	762,533	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)					
	(1,268,779)	(1,268,779)	2,031,152	3,299,931	
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds			5,029	5,029	
Transfers To Other Funds	(2,366,416)	(2,366,416)	(1,948,301)	418,115	
Total Other Financing Sources (Uses)	(2,366,416)	(2,366,416)	(1,943,272)	423,144	
Net Changes in Fund Balance					
	(3,635,195)	(3,635,195)	87,880	3,723,075	
Fund Balance - Beginning	3,635,195	3,635,195	2,554,858	(1,080,337)	
Fund Balance - Ending					
	\$ 0	\$ 0	\$ 2,642,738	\$ 2,642,738	

SHELBY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 750,000	\$ 669,000	\$	\$ (669,000)
Intergovernmental Revenue	1,384,889	1,384,889	1,540,151	155,262
Miscellaneous	15,000	15,000	25,230	10,230
Interest	30,000	30,000	10,268	(19,732)
Total Revenues	<u>2,179,889</u>	<u>2,098,889</u>	<u>1,575,649</u>	<u>(523,240)</u>
EXPENDITURES				
Protection to Persons and Property	1,000	1,000	915	85
Roads	1,825,573	1,835,573	1,733,802	101,771
Capital Projects	200,000	189,000	183,175	5,825
Administration	429,500	349,500	286,137	63,363
Total Expenditures	<u>2,456,073</u>	<u>2,375,073</u>	<u>2,204,029</u>	<u>171,044</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(276,184)</u>	<u>(276,184)</u>	<u>(628,380)</u>	<u>(352,196)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			518,000	518,000
Total Other Financing Sources (Uses)			<u>518,000</u>	<u>518,000</u>
Net Changes in Fund Balance	(276,184)	(276,184)	(110,380)	165,804
Fund Balance - Beginning	<u>276,184</u>	<u>276,184</u>	<u>1,317,216</u>	<u>1,041,032</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,206,836</u>	<u>\$ 1,206,836</u>

SHELBY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,753,600	\$ 1,713,600	\$ 1,980,292	\$ 266,692
Charges for Services	155,000	155,000	114,727	(40,273)
Miscellaneous	93,000	93,000	124,723	31,723
Interest			2,698	2,698
Total Revenues	<u>2,001,600</u>	<u>1,961,600</u>	<u>2,222,440</u>	<u>260,840</u>
EXPENDITURES				
Protection to Persons and Property	2,415,397	2,415,397	2,213,744	201,653
Debt Service			250,000	(250,000)
Administration	835,340	795,340	750,503	44,837
Total Expenditures	<u>3,250,737</u>	<u>3,210,737</u>	<u>3,214,247</u>	<u>(3,510)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,249,137)</u>	<u>(1,249,137)</u>	<u>(991,807)</u>	<u>257,330</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,249,137	1,249,137	895,500	(353,637)
Total Other Financing Sources (Uses)	<u>1,249,137</u>	<u>1,249,137</u>	<u>895,500</u>	<u>(353,637)</u>
Net Changes in Fund Balance			(96,307)	(96,307)
Fund Balance - Beginning			<u>373,140</u>	<u>373,140</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 276,833</u>	<u>\$ 276,833</u>

SHELBY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	EMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 10,000	\$ 20,169	\$ 10,169	\$ (10,000)
Charges for Services	1,327,000	1,302,000	1,643,834	341,834
Miscellaneous	46,000	46,682	27,063	(19,619)
Interest	1,200	1,200	698	(502)
Total Revenues	<u>1,384,200</u>	<u>1,370,051</u>	<u>1,681,764</u>	<u>311,713</u>
EXPENDITURES				
General Government				
Protection to Persons and Property	1,588,979	1,666,526	1,648,359	18,167
Administration	912,500	820,804	810,938	9,866
Total Expenditures	<u>2,501,479</u>	<u>2,487,330</u>	<u>2,459,297</u>	<u>28,033</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,117,279)</u>	<u>(1,117,279)</u>	<u>(777,533)</u>	<u>339,746</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,117,279	1,117,279	534,800	(582,479)
Total Other Financing Sources (Uses)	<u>1,117,279</u>	<u>1,117,279</u>	<u>534,800</u>	<u>(582,479)</u>
Net Changes in Fund Balances			(242,733)	(242,733)
Fund Balances - Beginning			300,493	300,493
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,760</u>	<u>\$ 57,760</u>

SHELBY COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**SHELBY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

SHELBY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	LGEA Fund	Special Fund	KACOLT Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 400,168	\$ 258,815	\$ 46	\$ 659,029
Total Assets	<u>400,168</u>	<u>258,815</u>	<u>46</u>	<u>659,029</u>
FUND BALANCES				
Unreserved:				
Debt Service			46	46
Special Revenue Funds	<u>400,168</u>	<u>258,815</u>		<u>658,983</u>
Total Fund Balances	<u>\$ 400,168</u>	<u>\$ 258,815</u>	<u>\$ 46</u>	<u>\$ 659,029</u>

The accompanying notes are an integral part of the financial statements.

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SHELBY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

SHELBY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	LGEA Fund	Special Fund	KACOLT Fund	Total Non-Major Governmental Funds
REVENUES				
Intergovernmental	\$ 79,714	\$	\$ 98,036	\$ 177,750
Interest	225	1,732	8	1,965
Total Revenues	<u>79,939</u>	<u>1,732</u>	<u>98,044</u>	<u>179,715</u>
EXPENDITURES				
Roads	8,172			8,172
Debt Service			98,036	98,036
Administration			2	2
Total Expenditures	<u>8,172</u>	<u></u>	<u>98,038</u>	<u>106,210</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>71,767</u>	<u>1,732</u>	<u>6</u>	<u>73,505</u>
Other Financing Sources (Uses)				
Transfers To Other Funds			(5,028)	(5,028)
Total Other Financing Sources (Uses)			<u>(5,028)</u>	<u>(5,028)</u>
Net Change in Fund Balances	71,767	1,732	(5,022)	68,477
Fund Balances - Beginning	<u>328,401</u>	<u>257,083</u>	<u>5,068</u>	<u>590,552</u>
Fund Balances - Ending	<u>\$ 400,168</u>	<u>\$ 258,815</u>	<u>\$ 46</u>	<u>\$ 659,029</u>

The accompanying notes are an integral part of the financial statements.

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SHELBY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**SHELBY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2009

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S Department of Justice</u>		
Direct Program:		
State Criminal Alien Assistance Program (CFDA 16.606)	Not Available	\$ 26,341
<u>U.S Department of Transportation</u>		
Passed-Through Kentucky Transportation Cabinet:		
Highway Safety Grant (CFDA 20.600)	Not Available	6,792
<u>U.S Election Commission</u>		
Passed Through State Board of Elections Help America Vote Act (CFDA 90.401)		
	Not Available	148,500
<u>U.S Department of Homeland Security</u>		
Passed Through Kentucky Department of Military Affairs:		
Disaster Grant - Public Assistance (Presidentially Declared Disasters) (CFDA 97.036)	FEMA-1802-DR-KY	66,199
	FEMA-1818-DR-KY	204,076
Passed Through Kentucky Office of Homeland Security:		
National Preparedness Program (CFDA 97.067)	Not Available	<u>92,157</u>
Total U.S. Department of Homeland Security		<u>362,432</u>
Total Federal Expenditures		<u>\$ 544,065</u>

SHELBY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2009

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Shelby County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Rob Rothenburger, Shelby County Judge/Executive
Members of the Shelby County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated April 6, 2010, wherein we issued a qualified opinion on the discretely present component unit and made reference to the report of other auditors. Shelby County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Shelby County 109 Taxing District, as described in our report on Shelby County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shelby County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shelby County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Shelby County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Shelby County Judge/Executive's responses to the findings identified in our audit are included in the schedule of findings and questioned costs. We did not audit the County Judge/Executive responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

April 6, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Rob Rothenburger, Shelby County Judge/Executive
Members of the Shelby County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Shelby County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Shelby County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Shelby County's management. Our responsibility is to express an opinion on Shelby County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shelby County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Shelby County's compliance with those requirements.

In our opinion, Shelby County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-03.

Internal Control Over Compliance

The management of Shelby County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Shelby County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shelby County's internal control over compliance.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2009-3 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program, will not be prevented or detected by the entity's internal control. We do not consider the item above to be a material weakness.

The Shelby County Judge/Executive's response to the finding identified in our audit is included in the schedule of findings and questioned costs. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

April 6, 2010

SHELBY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2009

**SHELBY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the discretely presented component unit of Shelby County, Kentucky, and an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, Kentucky.
2. Two significant deficiencies relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report. Both are material weaknesses.
3. No instances of noncompliance material to the financial statements of Shelby County were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal awards programs is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Shelby County expresses an unqualified opinion.
6. There is one audit finding relative to the major federal awards programs for Shelby County reported in Part C of this schedule.
7. The programs tested as major programs were: Disaster Grants - Public Assistance (Presidentially Declared Disasters) and Help America Vote Act.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Shelby County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

None

INTERNAL CONTROL - MATERIAL WEAKNESSES

2009-1 Fiscal Court Lacks Internal Controls Over Ambulance Receipts

During our review of receipts, auditors noted that one employee in the Judge's office was responsible for billing for the ambulance service, collecting money due for billings, and tracking ambulance accounts receivable. Good internal control dictates the same person should not collect payments and account for receivables. To adequately protect against asset misappropriation and/or inaccurate financial reporting, we recommend Fiscal Court implement the following procedures:

- An independent employee could bill for the ambulance service or the county could hire a billing service to perform this function.
- Accounts receivable tracking by an individual not involved in the billing or collection of receipts.

County Judge/Executive Rothenburger's Response: A second person is in training for billing and collecting. A second company has been hired to collect bad debt, when all attempts have been exhausted then the new county ordinance for write offs will be then be put in place. Monies coming into EMS will be received and recorded in a ledger by the receptionist, totaled daily, and given to the Treasurer and/or deputy Co. Judge to balance w/deposit ticket.

SHELBY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (Continued)

2009-2 The County Should Maintain Complete And Accurate Capital Asset Schedules

The county did not have an accurate capital asset schedule for fiscal year ended June 30, 2009. A list of capital asset additions, retirements and disposals were not properly maintained. Prior capital asset errors included donated assets, assets listed twice, and assets that were not listed. This resulted in a prior period adjustment to net assets of (\$1,536,711). The Department of Local Government (DLG) requires counties to maintain capital asset records (see DLG County Budget Preparation and State Local Finance Officer Policy Manual pages 55-60), that requires among other things a description of the asset, historical cost, date of acquisition, and useful life of asset. Not maintaining an accurate list of capital assets could cause capital assets to not be insured or paying for insurance for an asset the county no longer owns. We recommend a schedule of additions be maintained as assets are purchased to simplify the process of updating the capital asset schedule. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. Furthermore, the capital asset listing should be monitored and maintained on a regular basis. As new assets are acquired they should be added to the listing. As equipment is retired or disposed of it should be removed from the listing. The assets added/deleted should also include capital assets purchased or disposed of by the County Sheriff and Clerk.

The Fiscal Court should take a physical inventory of its capital assets on a regular basis (such as every two to three years) or at the beginning of a new administration to ensure only active, in-service machinery and equipment is included on the County's financial statements, and should included assets held by the County Clerk and Sheriff. We also recommend that the County implement policies that will identify and track additions, retirements and disposed assets for the purpose of the capital asset schedule. These procedures will ensure that fixed assets are properly stated and that depreciation is being calculated accurately.

County Judge/Executive Rothenburger's Response: This is in the process of being done.

SHELBY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2009
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

2009-3 Federal Reimbursement Requests Should Agree To Supporting Documentation

Federal Program: CFDA #97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)
 Federal Agency: U.S. Department of Homeland Security
 Compliance Area: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management
 Amount of Questioned Costs: \$7,044

The County received disaster assistance from FEMA through a Public Assistance grant administered by the State. To receive reimbursement for damages incurred as a result of the remnants of Hurricane Ike (September 08) and the ice storm (January 09), project worksheets were submitted documenting the cost of completing clean-up work. During our review of federal expenditures, several differences were noted between the project worksheets or reimbursement requests and supporting documentation.

The project worksheet submitted for Hurricane Ike was overstated by \$7,044. Per FEMA guidelines, the County is reimbursed for hours worked and equipment usage based on FEMA's schedule of equipment rates. The project worksheet documented hours worked by employees, who were on leave according to their timesheets. In addition to hours worked being overstated, equipment usage was also overstated as the project worksheet showed these same employees were using county equipment for disaster clean-up for days that they were on leave.

The two project worksheets submitted for the ice storm were understated by \$27,310, while other errors overstated the expenditures by \$844, netting the total understatement to \$26,466. The largest error noted was an incorrect equipment rate used for a dump truck. Per FEMA's schedule of equipment rates, the dump truck should have been reimbursed at \$43 per hour; however, the project worksheet only showed \$19 per hour. In addition, auditors noted that hours and equipment usage was documented for an employee on a day that the timesheet showed he was on leave. Auditor also found errors in the calculations performed by the FEMA representative who completes the project worksheet based on the documentation submitted by the County.

We recommend the County submit corrected project worksheets to recoup the \$26,466, since they have not received reimbursement for the ice storm expenses. Because the County received reimbursement for Hurricane Ike expenses in August 2009, they will need to reimburse FEMA the federal portion (75%) for the \$7,044 submitted for hours not worked. We also recommend the County review project worksheets upon completion to ensure accuracy.

County Judge/Executive Rothenburger's Response: Will work with local, state, and federal EMA to address recommendations.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

SHELBY COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

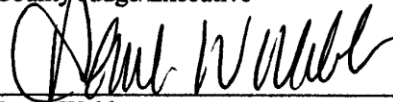
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
SHELBY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Shelby County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A stylized, handwritten signature in black ink, consisting of a large loop followed by a series of smaller, connected loops.

Rob Rothenburger
County Judge/Executive

A stylized, handwritten signature in black ink, featuring a large, bold 'P' followed by several loops and a long horizontal stroke.

Paula Webb
County Treasurer

